

The Combined Sewer Overflow Project

Funding

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State Revolving Fund (SRF) Low Interest Loans

The State of Michigan, through the [Department of Natural Resources and Environment](#) (DNRE), provides low interest loans to communities for projects that improve water quality and/or protect public health. The Lansing CSO Control Program qualifies as both. The City's 1991 CSO Control Project plan was prepared to identify the most cost-effective CSO control alternative and to qualify the program for SRF loans. The DNRE requires the project plan to be updated every five years to maintain eligibility on the SRF project priority list.

Each year the City must complete the application process for the SRF loan to fund the eligible portion of the CSO projects beginning construction that year. Each loan is for the life of the project and cannot be adjusted upward after it has been awarded. The City has received 22 SRF loans totaling more than \$220,000,000 covering all CSO projects through 2010.

The interest rates have varied from 2% in 1991, to a low of 1.625% and a high of 2.5%. If the projects were funded with revenue bonds the interest rate would have varied from 4 to 6%. The use of the SRF loans has resulted in savings of over \$86 million in interest over the 20-year life of the loans that have been issued through 2009.

Grants and Other Funding

The City received a DNRE S-2 Grant for \$1,000,000 in 2006 to assist in funding design projects for the CSO Program. The funding was made available from the Clean Water Initiative over a two-year period with a statewide maximum available of \$40,000,000 for planning and design efforts to correct water pollution/public health problems. Lansing received the maximum available to any community.

The City has also coordinated CSO work with the [Michigan Department of Transportation](#) (MDOT) road projects. When project schedules permitted or could be adjusted, the CSO work was incorporated into an MDOT road project. This teaming arrangement significantly reduced the cost of the project for the City by shifting the cost of the road replacement and surface restoration to MDOT. These projects include work in Martin Luther King, Jr. Boulevard in 1993, Oakland Avenue in 1998-99, and the Capitol loop project in 2004-05. MDOT funding also supported the Grand Avenue project which began construction in 2008 and is scheduled for completion in 2010.

In 2009, the City received [American Recovery and Reinvestment Act](#) (ARRA) funding of 40% of the eligible SRF Loan cost for Phase V Segment 1 project, estimated at \$10,410,000 of the \$26,025,000 authorized total for the project. These are direct grant funds and do not need to be repaid by the City of Lansing.

Sewer Rates

Revenue collected through sewer rates provides the primary source of funds to support the CSO Project. The sewage fund revenue provides cash or revenue bond debt funding for portions of the project that are not eligible for SRF Loan funding. In addition, the sewage fund revenue pays the debt service on the SRF loans. Revenue increases in sewage rates have been driven by the increasing debt load for SRF loans and revenue bonds to support the CSO Control Program. CSO-related debt service for fiscal year 2010 is approximately \$15,600,000.

Ineligible Road Funding

Maximizing cost-effective infrastructure improvements in CSO project areas has been a primary goal since the program started. In some cases, sewer separation construction removes only a portion of the roadway. Instead of restoring the roadway with a partial width patch, the City has found it cost-effective to replace the entire roadway. This produces a much better, long lasting roadway surface.

In some cases, the additional roadway construction is not eligible under the DNRE rules for SRF loan funding. In these circumstances funds are provided through Act 51 road monies received from the State or through general fund dollars to reconstruct the full roadway. By adding this work to the CSO Control Program, projects using the supplemental funding from road dollars, the infrastructure improvement to the City of Lansing is increased in a cost-effective manner for Lansing taxpayers.

Ineligible Sidewalk Funding

The City has also integrated sidewalk replacement/repair into the program where needed. Incorporating sidewalk construction with the CSO projects that are already installing significant amounts of sidewalk make it cost effective to incorporate into the projects. Funding for sidewalk is generally provided by general fund tax dollars.

Assessments

Assessments are made on individual properties to recover the cost to provide new improvements for private properties such as sanitary sewers, storm sewers, or curb and gutter where they did not exist before. In areas needing any of these improvements, it is often cost effective to include the work with a nearby CSO Control Program project. The assessment process requires completion of the public improvement process in the Lansing code of ordinances. This includes notices to property owners with estimated costs and a public hearing.